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SUBJECT: PANAMA: TORRIJOS TRUMPETS ACHIEVEMENTS IN FINAL
ADDRESS TO NATIONAL ASSEMBLY

Classified By: Classified by: Ambassador Barbara J. Stephenson for reasons 1.4(b) and (d).

Summary

¶1. (C) In his final address to the National Assembly before the end of his term, President Martin Torrijos touted his administration's greatest achievements, acknowledged the cooperation of the Assembly, and called on the next government to build upon these successes. (Note: Constitutionally, Panama's president is required to address the opening of the annual session of the chamber and then address it again six months later into the session's term.) His high notes included:

- fiscal reform that "put the house in order" and generated investment and new jobs;
- the success of new social welfare programs; and
- the "strong blow struck against poverty and inequity" during the last four-and-a-half years.

Torrijos's swan song was designed to remind the public of this Revolutionary Democratic Party (PRD) government's successes and to promote the continuity of his social programs. Unfortunately, having neglected to address the top issues on voters' minds - rising crime and eroding purchasing power - Torrijos's speech rang hollow for much of the general public and is not resonating on the campaign trail. End summary.

Swan Song Hits the High Notes

¶2. (SBU) Torrijos began his 15-minute March 1 speech before the National Assembly by memorializing an Assembly deputy who had died in an automobile accident the day before. He went on to thank the Assembly's "political goodwill" that allowed cooperation on four policy successes:

- fiscal reform "that was needed to tackle an urgent social deficit, and has generated savings that have given consistency to a social investment policy that has begun to show results in the fight against poverty and hopelessness;" Torrijos noted that the reform "allowed us to achieve during our administration the highest infrastructure investment in the history of the Republic;"
- preventing the collapse of the shaky Social Security Fund (CSS). (Comment: The CSS was in danger of collapse following the 2006 poisoned cough syrup scandal when 100 Panamanians died. The CSS provides healthcare services to 2.8 million Panamanians.);

-- expansion of the Canal; and
-- the "modernization of the Panamanian state through the creation of new institutions to adapt the country to our new reality."

13. (SBU) After thanking the Assembly, Torrijos proceeded to sing his own praises, stressing that the last four-and-a-half years have "brought Panama a prosperity as it has never experienced before," and that, "the country was able to recover from the anxiety that we lived with before. The country now is different; it has a course and direction." Torrijos is particularly proud of the Canal expansion effort, which was approved in a 2006 referendum, and noted that over \$200 million in Canal revenues finances more than 3,200 social investment projects under the Community Development Program (PRODEC). Similarly, he touted the "unprecedented generation of public and private sector investment," that led to 210,000 new jobs, and a decrease in the unemployment rate from 12.4% in 2004 to 5.6% at the end of 2008, the lowest in 60 years. Torrijos also highlighted one of his banner programs, the Opportunities Network (Red de Oportunidades), created in 2005 to help fight poverty. According to Torrijos, the program has helped provide some 402,000 poor Panamanians with services such as vaccinations for children, healthcare and education access, and has registered some 20,000 children into the Civil Registry.

14. (SBU) Torrijos prefaced his concluding remarks with a personalized summation of his tenure, stating that, "I resolved problems that other governments simply preferred to ignore, and I did it without divisiveness, with the benefit of all Panamanians in mind; we never asked anyone what party

he belonged to (as a precondition) for enrollment into social programs." (Comment: Both leading candidates have stated disapproval of such practices and partisan-oriented governing. The PRD has had to defend itself against allegations that the government's social programs were only made available in some circumstances to PRD loyalists. The media has published allegations that as Minister of Canal Affairs in the previous administration, presidential front-runner Ricardo Martinelli of the Alliance for Change was complicit with the practice of providing "empty" jobs (botellas) to party loyalists.)

Keep Up My Good Work

15. (SBU) Addressing future governments, Torrijos shared his concern that his social programs continue and expressed his fear that that they would become casualties in a bitter political fight. Anticipating an ugly election season, Torrijos counseled, "Electoral periods are not meant to destroy the advancements of the country, they should serve to perfect them; no one should think that threats or intimidation are valid instruments to win an election." He also made a special point to stress to "the future governing authorities" that to be effective, programs like the Opportunity Network need continuity and deepening over time. (Comment: The campaign platforms of both of the leading presidential candidates, Ricardo Martinelli and the PRD's Balbina Herrera, specifically mention continuity of the Opportunities Network program.) Torrijos went on to say that he hoped, "The thousands of people (receiving such assistance) who today are able to dream again," as well as the more than 500,000 Panamanians who receive training through the National Vocational Training Institute for Human Development (INADEH) and the 183,000 youths enjoying Institute for the Formation and Improvement of Human Resources (IFARHU) scholarships, are not "frustrated in their aspirations."

Unstruck Chords

16. (C) The media universally declared Torrijos' speech to be

a (premature) farewell address; Torrijos has four months remaining in his term. In particular, the media noted that Torrijos had failed to address the issue weighing most heavily on Panamanian minds: rising urban crime. Crime stories, particularly concerning rising drug violence, have grabbed local headlines as of late. A recent eye-catching story reports that Colombian and Mexican drug cartels are increasingly duking out their squabbles in Panama, and that this dynamic has contributed to an up tick in nationwide murders, from 444 in 2007 to 593 in 2008. Also, transportation was not mentioned, even though traffic congestion in the capital has become exponentially worse under Torrijos's watch and has emerged as a hot-button issue. The speech also passed over education and healthcare reform, two other leading campaign topics.

Comment

17. (C) Today's Panama is indeed, economically at least, better off than the one Torrijos inherited in 2004. The country has maintained an average of 8% growth over the last four years, and widely-cited UN figures indicate that poverty dropped from 37% in 2001 to 29% in 2007. Torrijos is rightfully proud of this legacy, and it stands to reason that he wants to see continuity in these successes (especially since it is widely believed that he will make another run at the presidency in 2019 when he is next eligible). It also plays into Herrera's campaign strategy stressing continuity of PRD policies. But the conspicuous problems of rising crime and a stifling transportation situation in the capital, along with sagging government approval ratings are putting a damper on Torrijos grand finale. Torrijos's solid personal approval ratings hover around 50%, but overall "national government" approval ratings in January checked in at 41%. By taking a pass on crime discussion, Torrijos is probably trying to keep one of the blemishes of his administration under the radar. But a fundamental problem for the PRD is that the continuity talk is not resonating. Despite Torrijos's successes, the PRD may need to change its tune to

reinvigorate Herrera's flagging campaign if it is to gain the ground it has lost to Martinelli's "change" bandwagon.
STEPHENSON